

# FDIC State Profile

Spring 2005

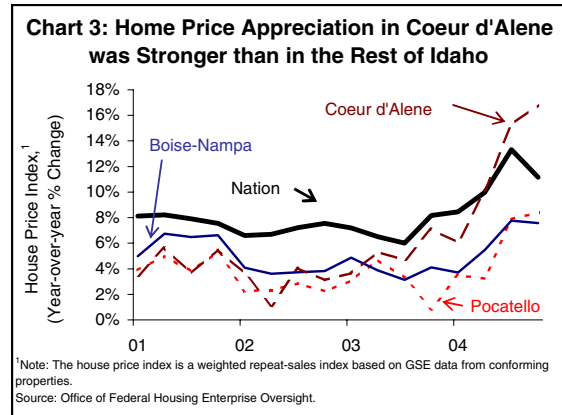
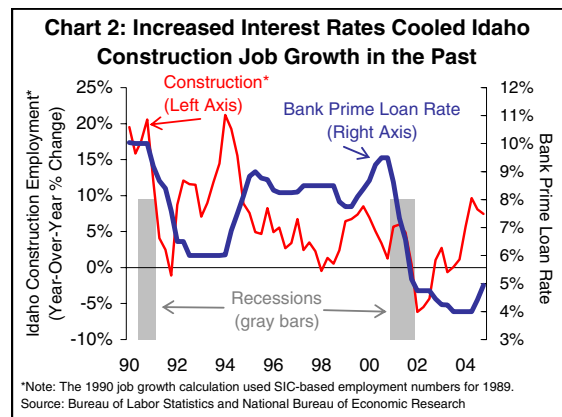
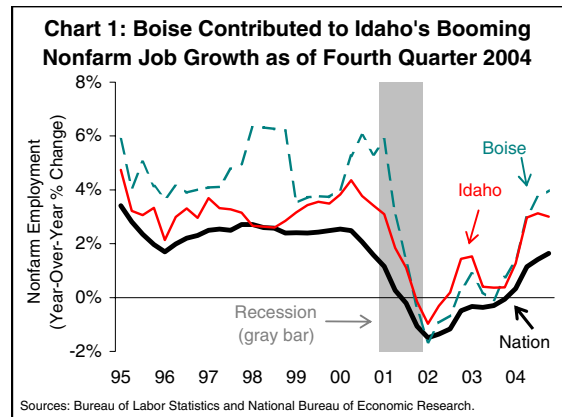
## Idaho

Idaho job growth was nearly double the national rate in 2004 and is expected to outperform the nation again in 2005.

- State nonfarm employment growth of 3.0 percent for the year ending fourth quarter 2004 was the sixth-highest in the nation and is expected to outperform the nation again in 2005.<sup>1</sup> Growth was centered in **Boise**, which grew 4.0 percent during this period (See Chart 1).
- A recovery in Idaho's important high-tech industry has translated into growth in the professional and business services sector. By year-end 2004, this sector added 4,000 new jobs, almost half of which were in the employment services and the business support service industries.

**Strong construction job growth in Idaho may be hindered by increased interest rates.**

- Job growth also was fueled by a robust construction sector, which reported the third strongest percentage job growth in the state at 7.5 percent, and added 2,900 jobs in the year ending fourth quarter 2004. The specialty trade contractors subsector, which provides work for various property types including residential, grew 9.1 percent and added 2,200 jobs. Direct employment in the residential construction industry grew 14.0 percent and added 800 jobs.
- The value of 1-4 family residential construction permits grew to \$2.4 billion during 2004 and may benefit from continued positive net migration in the state through 2008.<sup>2</sup>
- Although continued growth in residential construction is anticipated, upward movements in interest rates could negatively affect Idaho's booming construction sector (See Chart 2).
- Robust economic expansion has spurred construction loan demand at insured financial institutions headquartered in Idaho. Year-over-year as of December 2004, the median construction and development (C&D) loan growth rate



<sup>1</sup>"Western Blue Chip Economic Forecast", W.P. Carey School of Business at Arizona State University, December 2004.

<sup>2</sup>"Idaho Economic Forecast 2004-2008," Division of Financial Management, Vol. XXVII, No. 1, January 2005. [http://dfm.idaho.gov/Publications/EAB/Forecast/2005/January/Full\\_Jan2005.pdf](http://dfm.idaho.gov/Publications/EAB/Forecast/2005/January/Full_Jan2005.pdf)

was a rapid 51 percent, more than double the median total loan growth rate of 24 percent. Consequently, insured institutions based in Idaho reported the third highest C&D loan concentration in the nation—114 percent of Tier 1 capital, up from 75 percent one year ago.

### Slow home price gains limited household financial flexibility in some areas.

- **Coeur D'Alene** was the only metro area in Idaho where home prices outpaced the nation on a year-over-year basis as of fourth quarter 2004 (See Chart 3).<sup>3</sup> In-migration from Seattle and Southern California to the area has pushed demand for homes in Coeur D'Alene.
- In part because of strong residential construction activity, many areas in Idaho reported slower home price appreciation than the nation, including **Boise City-Nampa, Idaho Falls, Lewiston, and Pocatello**. The slower appreciation in home prices has made it relatively more difficult for some Idaho homeowners to build up home equity. This is of some concern since Idaho already reports the 12th worst personal bankruptcy rate and 21st worst foreclosure rate in the nation.
- Possibly a reflection of slow home appreciation in the state, the median 1-4 family past due ratio increased from 1.00 percent to 1.24 percent year-over-year as of December 2004—ranking 25th in the nation—and was the only major loan category to exhibit deterioration among insured institutions headquartered in Idaho.

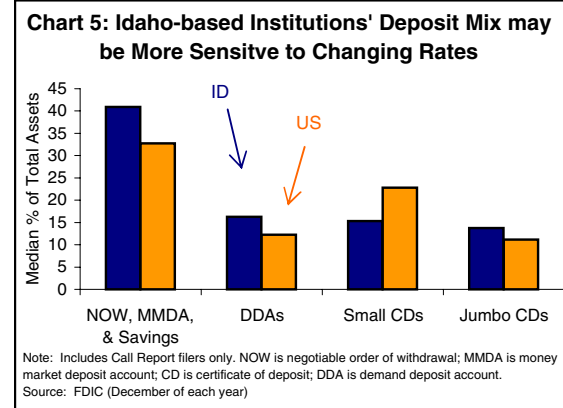
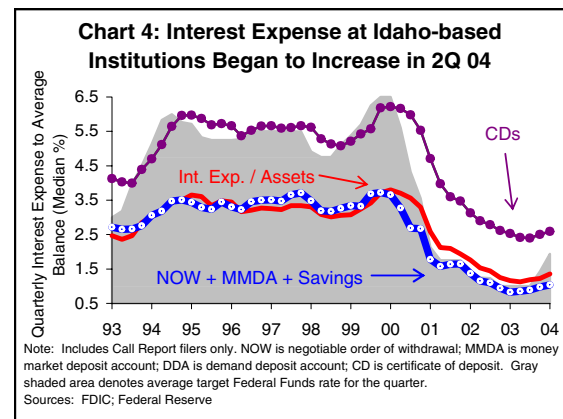
### Lower overhead and provision expenses helped Idaho-based insured institutions report higher profits.

- The median return on average assets (ROA) for institutions headquartered in the state for 2004 was 0.99 percent, improving over last year's ROA, but below the 1.02 percent reported for institutions nationwide.
- Improvement in overall profitability was driven by decreased operating expenses, lower provision for loan loss expenses, and improving net interest margins. Although the median allowance for loan loss (ALLL) ratio decreased slightly year-over-year, the median ALLL coverage of noncurrent loans increased and ranked sixth highest in the nation.

### NOW, MMDA, and savings accounts may be more sensitive to changes in interest rate levels.

- Trends in quarterly interest expense mirrored the Federal Funds rate, which began to increase in late second quarter 2004, with NOW, MMDA, and savings account rates rising more rapidly than CD rates (See Chart 4).

- The median interest expense to average asset ratio increased to a level higher than reported for institutions nationwide, possibly related to the funding structure of insured institutions based in Idaho. The largest funding components are NOW, MMDA, and other savings accounts, which accounted for a median 41 percent of assets at Idaho-based institutions compared with 33 percent for institutions nationwide.
- Jumbo CD funding at Idaho-based institutions was slightly higher than the nation, with a median ratio of 14 percent compared with 11 percent for the nation (See Chart 5). Going forward, funding costs likely will rise further as the largest source of deposit funding fully incorporates anticipated short-term rate hikes and Idaho-based institutions compete to keep large CDs.



<sup>3</sup>Based on city home price data available from the Office of Federal Housing Enterprise Oversight.

## Idaho at a Glance

**ECONOMIC INDICATORS** (Change from year ago quarter, unless noted)

<b>Employment Growth Rates</b>	<b>Q4-04</b>	<b>Q4-03</b>	<b>Q4-02</b>	<b>Q4-01</b>	<b>Q4-00</b>
Total Nonfarm (share of trailing four quarter employment in parentheses)	3.0%	0.4%	1.4%	-0.2%	3.4%
Manufacturing (10%)	0.3%	-5.8%	-0.9%	-7.0%	2.3%
Other (non-manufacturing) Goods-Producing (7%)	7.7%	0.8%	0.6%	-1.2%	0.0%
Private Service-Producing (63%)	3.3%	1.3%	2.1%	0.5%	4.3%
Government (19%)	1.8%	0.8%	0.9%	2.6%	2.8%
Unemployment Rate (% of labor force)	4.5	5.1	5.5	5.1	4.6

<b>Other Indicators</b>	<b>Q4-04</b>	<b>Q4-03</b>	<b>Q4-02</b>	<b>Q4-01</b>	<b>Q4-00</b>
Personal Income	N/A	4.9%	1.4%	5.2%	6.1%
Single-Family Home Permits	15.3%	25.3%	33.6%	-3.3%	-3.8%
Multifamily Building Permits	-18.1%	-44.5%	193.2%	75.1%	-30.4%
Existing Home Sales	-0.3%	-1.1%	9.1%	13.8%	7.4%
Home Price Index	10.3%	4.4%	3.5%	5.8%	3.6%
Bankruptcy Filings per 1000 people (quarterly level)	1.59	1.59	1.59	1.45	1.37

**BANKING TRENDS**

<b>General Information</b>	<b>Q4-04</b>	<b>Q4-03</b>	<b>Q4-02</b>	<b>Q4-01</b>	<b>Q4-00</b>
Institutions (#)	17	18	20	20	20
Total Assets (in millions)	5,462	4,728	4,214	3,648	3,097
New Institutions (# < 3 years)	0	1	2	2	1
Subchapter S Institutions	0	0	0	0	0

<b>Asset Quality</b>	<b>Q4-04</b>	<b>Q4-03</b>	<b>Q4-02</b>	<b>Q4-01</b>	<b>Q4-00</b>
Past-Due and Nonaccrual Loans / Total Loans (median %)	0.77	1.04	0.98	1.68	1.37
ALLL/Total Loans (median %)	1.25	1.36	1.46	1.30	1.31
ALLL/Noncurrent Loans (median multiple)	3.76	3.49	3.65	2.22	3.43
Net Loan Losses / Total Loans (median %)	0.08	0.11	0.14	0.24	0.19

<b>Capital / Earnings</b>	<b>Q4-04</b>	<b>Q4-03</b>	<b>Q4-02</b>	<b>Q4-01</b>	<b>Q4-00</b>
Tier 1 Leverage (median %)	9.06	8.42	8.32	8.65	9.14
Return on Assets (median %)	0.99	0.98	0.84	0.60	0.94
Pretax Return on Assets (median %)	1.51	1.53	1.21	0.90	1.48
Net Interest Margin (median %)	4.69	4.65	4.75	4.58	5.17
Yield on Earning Assets (median %)	5.96	6.23	6.71	8.16	9.17
Cost of Funding Earning Assets (median %)	1.59	1.56	2.18	3.59	3.99
Provisions to Avg. Assets (median %)	0.20	0.26	0.38	0.32	0.37
Noninterest Income to Avg. Assets (median %)	0.95	1.25	1.27	1.02	0.97
Overhead to Avg. Assets (median %)	3.52	4.01	4.31	4.28	4.10

<b>Liquidity / Sensitivity</b>	<b>Q4-04</b>	<b>Q4-03</b>	<b>Q4-02</b>	<b>Q4-01</b>	<b>Q4-00</b>
Loans to Assets (median %)	71.7	71.7	71.4	71.6	69.9
Noncore Funding to Assets (median %)	21.4	18.1	18.2	20.1	21.2
Long-term Assets to Assets (median %, call filers)	13.4	19.3	16.1	14.7	12.8
Brokered Deposits (number of institutions)	8	7	4	4	4
Brokered Deposits to Assets (median % for those above)	3.2	3.6	4.9	6.6	3.6

<b>Loan Concentrations (median % of Tier 1 Capital)</b>	<b>Q4-04</b>	<b>Q4-03</b>	<b>Q4-02</b>	<b>Q4-01</b>	<b>Q4-00</b>
Commercial and Industrial	154.4	163.1	172.6	154.4	175.6
Commercial Real Estate	329.7	271.9	230.4	210.2	202.4
Construction & Development	114.0	75.2	63.7	63.7	45.1
Multifamily Residential Real Estate	3.8	1.7	1.0	0.4	2.3
Nonresidential Real Estate	196.4	197.8	164.3	140.4	143.0
Residential Real Estate	119.8	129.9	133.3	139.2	118.3
Consumer	48.5	52.2	55.2	61.5	53.8
Agriculture	119.2	100.8	110.0	97.2	110.4

**BANKING PROFILE**

<b>Largest Deposit Markets</b>	<b>Institutions in Market</b>	<b>Deposits (\$ millions)</b>	<b>Asset Distribution</b>	<b>Institutions</b>
Boise City-Nampa, ID	20	5,637	< \$250 mil.	7 (41.2%)
Coeur d'Alene, ID	14	1,271	\$250 mil. to \$1 bil.	10 (58.8%)
Idaho Falls, ID	11	941	\$1 bil. to \$10 bil.	0 (0%)
Lewiston, ID-WA	9	620	> \$10 bil.	0 (0%)
Pocatello, ID	11	548		